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# A BILL FOR AN ACT

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RELATING TO THE HAWAII HEALTH CONNECTOR.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the federal Patient  
2 Protection and Affordable Care Act of 2010 (Affordable Care Act)  
3 required states to establish health insurance exchanges to  
4 connect buyers and sellers of health and dental insurance and  
5 facilitate the purchase and sale of federally-qualified health  
6 insurance plans and qualified dental plans. The initial intent  
7 of the state health insurance exchanges was to reduce the number  
8 of uninsured individuals, provide a transparent marketplace,  
9 conduct consumer education, and assist individuals in gaining  
10 access to assistance programs, premium assistance tax credits,  
11 and cost-share reductions.

12           The legislature further finds that, largely due to the  
13 success of the Hawaii Prepaid Health Care Act, the State enjoys  
14 an overall healthier population, lower uninsured rates, and  
15 lower premium costs than mainland states. It is therefore  
16 imperative that Hawaii's health insurance exchange, known as the  
17 Hawaii health connector, work in tandem with the Hawaii Prepaid



1 Health Care Act to preserve the Prepaid Health Care Act's  
2 existing benefits for Hawaii residents.

3 The legislature additionally finds that, as part of its  
4 initial phase of operation, the Hawaii health connector has  
5 benefited from new tax credits available under the Affordable  
6 Care Act, including the advanced premium tax credit and small  
7 business health insurance tax credit. The combined value of  
8 these benefits through 2024 is estimated at \$505,000,000, which  
9 is expected to provide direct financial stimulus to the State,  
10 facilitate the expansion of health insurance, and reduce  
11 uncompensated health care costs associated with the delivery of  
12 medical services to the State's eligible population.

13 The legislature also finds that the Hawaii health connector  
14 can provide further services to the people of Hawaii through the  
15 expanded use of its business model and technologies. The Hawaii  
16 health connector has the capability to provide non-biased  
17 enrollment, implementation, and benefit administration services  
18 for employers and their employees, which will generate  
19 additional revenue. The connector also has the potential to  
20 provide an integrated solution for medicaid enrollment and



1 state-provided social services, which will reduce state social  
2 services costs.

3 The legislature further finds that the Hawaii health  
4 connector stated in its January 2015 annual report that it is on  
5 the path to financial self-sustainability and could reach a  
6 surplus of \$1,800,000 by June 30, 2022. The connector has  
7 enrolled over 15,500 people to date, up from fewer than five  
8 hundred a year ago, and estimates that it will generate \$984,443  
9 in revenue in the fiscal year ending June 30, 2015. By 2022,  
10 the connector expects to bring in \$14,800,000 in revenue.  
11 However, the connector will need approximately \$28,000,000 over  
12 the next eight years until it can generate enough revenue to  
13 become self-sufficient.

14 The legislature notes that in 1996, the State founded the  
15 Hawaii Employers' Mutual Insurance Company (HEMIC) in an effort  
16 to address many of the problems with the State's workers'  
17 compensation system. The enabling legislation that created  
18 HEMIC included a funding mechanism, in the form of debentures  
19 authorized to be issued by HEMIC, to support HEMIC's operations  
20 while the company moved on a path to self-sustainability.  
21 Today, HEMIC is highly successful, self-sustaining, and has been



1 given an "A" rating by the global credit rating agency A.M.  
2 Best. Exploring a funding mechanism similar to the one the  
3 State authorized when establishing HEMIC will enable the Hawaii  
4 health connector to support its operations, reach self-  
5 sustainability, and, eventually, return all funds advanced to  
6 the connector back to the State.

7 The legislature additionally finds that the sale of  
8 debentures by the connector can only be secured through the use  
9 of a guarantee of those debentures by the State. The  
10 legislature finds and declares that the issuance of the  
11 guarantees of the debentures under this Act is in the public  
12 interest and for the public health, safety, and general welfare  
13 of the State.

14 The purpose of this Act is to:

- 15 (1) Align state law with certain provisions of the  
16 Affordable Care Act by requiring qualified health  
17 plans in the Connector to contract with federally-  
18 qualified health centers and utilize payment  
19 methodology as specified in the federal Social  
20 Security Act;



- 1 (2) Retain the current financial and service benefits of  
2 the Hawaii health connector;  
3 (3) Enhance the availability of services through the  
4 connector; and  
5 (4) Assist the Hawaii health connector by authorizing the  
6 State of Hawaii to guarantee debentures issued by the  
7 connector.

8 SECTION 2. Chapter 435H, Hawaii Revised Statutes, is  
9 amended by adding a new section to be appropriately designated  
10 and to read as follows:

11 "§435H- Qualified health plans; federally-qualified  
12 health centers; services. (a) As a condition of certification,  
13 the commissioner shall require each qualified health plan to:

- 14 (1) Offer any willing federally-qualified health center  
15 that provides services in geographic areas served by  
16 the qualified health plan the opportunity to contract  
17 with the plan to provide to the qualified health  
18 plan's enrollees all ambulatory services that are  
19 covered by the plan that the federally-qualified  
20 health center offers to provide; and



(2) Reimburse each federally-qualified health center for those services, as provided in section 1902(bb) of the Social Security Act, title 42 United States Code section 1396a.

(b) For purposes of this section, "federally-qualified health center" has the same meaning as in section 1905(1)(2)(B) of the Social Security Act, title 42 United States Code section 1396d."

SECTION 3. Section 435H-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Qualified health plan" means a qualified plan or a qualified dental plan."

SECTION 4. Section 435H-2, Hawaii Revised Statutes, is amended by amending subsections (b) and (c) to read as follows:

(b) The purposes of the connector shall include:

(1) Facilitating the purchase and sale of qualified plans and qualified dental plans;

(2) Connecting consumers to the information necessary to make informed health care choices;



(3) Enabling consumers to purchase coverage and manage health and dental plans electronically; [and]

(4) Performing any and all other duties required of a health insurance exchange pursuant to the Federal Act [-]; and

(5) Providing enrollment, implementation, and benefit administration services for employers and their employees for non-qualified health plans.

(c) The connector shall serve as a clearinghouse for enrollment and information on all qualified plans and qualified dental plans listed or included in the connector."

SECTION 5. Section 435H-3, Hawaii Revised Statutes, is amended to read as follows:

**"§435H-3 Funding.** (a) The connector may receive contributions, grants, endowments, fees, or gifts in cash or otherwise from public and private sources including corporations, businesses, foundations, governments, individuals, and other sources subject to rules adopted by the board. The State may appropriate moneys to the connector. As required by section 1311(d)(5)(A) of the Federal Act, the connector shall be self-sustaining by January 1, 2015[-and]. To achieve continued



1 self-sustainability, the connector may charge assessments or  
2 user fees to participating [~~health and dental~~] carriers, or may  
3 otherwise generate non-insurer based funding to support its  
4 operations. Moneys received by or under the supervision of the  
5 connector shall not be placed into the state treasury and the  
6 State shall not administer any moneys of the connector nor be  
7 responsible for the financial operations or solvency of the  
8 connector.

9 (b) In addition to any other means of generating revenue  
10 pursuant to subsections (a) [~~and~~], (c), and (d), the connector  
11 may sell or lease its information technology infrastructure and  
12 services to other separate non-connector programs; provided that  
13 the sale or lease is in compliance with federal regulations.

14 (c) In addition to any other means of generating revenue  
15 pursuant to subsections (a) [~~and~~], (b), and (d), the connector  
16 may also charge fees for displaying advertisements for ancillary  
17 services on the connector's website.

18 (d) In addition to any other means of generating revenue  
19 pursuant to subsections (a), (b), and (c), the connector may  
20 conduct enrollment, implementation, and benefit administration





1 services for employers and their employees for non-qualified  
2 health plans or other ancillary products and services.

3 ~~[(d)]~~ (e) All plans to generate revenue for the connector  
4 shall be in compliance with federal ~~[law.]~~ and state laws,  
5 rules, and regulations.

6 (f) The connector may issue debentures in amounts  
7 collectively not to exceed \$28,000,000, which debentures shall  
8 be guaranteed by the State, payable solely from operating  
9 revenue received by the connector. The debentures shall be  
10 issued in the name of the connector and not in the name of the  
11 State. The State of Hawaii shall approve the terms of the  
12 debentures before they are issued. The Hawaii hurricane relief  
13 fund shall be the state agency authorized to guarantee, approve,  
14 and oversee the issuance of debentures by the connector. The  
15 final maturity date of the debentures shall not exceed ten years  
16 from the date of issuance. The board shall set aside and pledge  
17 revenues as necessary for the payment of the principal and  
18 interest on the debentures."

19 SECTION 6. Section 435H-12, Hawaii Revised Statutes, is  
20 amended by amending subsection (b) to read as follows:



1       "(b) If a health insurance plan utilizes and compensates  
2 an insurance agent or broker, the Hawaii health connector shall  
3 not be responsible for any compensation to that agent or broker  
4 that sells a qualified health plan or non-qualified health plan  
5 through the connector. The issuer of the qualified health plan  
6 shall bear all compensation to an agent or broker that sells a  
7 qualified health plan through the connector."

8       SECTION 7. There is established in the state treasury a  
9 trust fund to be known as the Hawaii health connector debenture  
10 guarantee trust fund, which shall serve as the reserve for all  
11 debentures guaranteed under this Act.

12       SECTION 8. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$               or so  
14 much thereof as may be necessary for fiscal year 2015-2016 to be  
15 deposited into the Hawaii health connector debenture guarantee  
16 trust fund, established by section 7 of this Act.

17       This sum, when and if necessary, shall be expended by the  
18 Hawaii hurricane relief fund for the purposes of this Act.

19       SECTION 9. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.

21       SECTION 10. This Act shall take effect on July 1, 2050.



**Report Title:**

Hawaii Health Connector; Hawaii Health Insurance Exchange;  
Federally-qualified Health Center; Sustainability; Funding;  
Debentures; Hawaii Hurricane Relief Fund; Appropriation

**Description:**

Aligns state law with certain provisions of the Affordable Care Act by requiring qualified health plans in the connector to contract with federally-qualified health centers and utilize payment methodology as specified in the federal Social Security Act. Retains current financial and service benefits of the Hawaii health connector. Enhances the availability of services through the connector. Authorizes the State of Hawaii to guarantee debentures issued by the connector. Specifies the Hawaii hurricane relief fund shall be authorized to guarantee, approve, and oversee the issuance of the debentures by the connector. Effective 07/01/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

